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IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

CHARLES R. CHRISTIANSON and INTERNATIONAL TRADE SERVICES, INC.,

Petitioners,

vs.

COLT INDUSTRIES OPERATING CORP.,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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QUESTIONS PRESENTED

This is an antitrust case involving the U.S. Military standard M-16 rifle and the extension of Colt's monopoly over the M-16's component parts beyond the expiration of Colt's patents covering those parts using trade secrets that are now over 25 years old. The case presents the following questions:

1. Once a U.S. patent expires, may a State perpetuate the previously protected commercial monopoly by enforcing a patentee's trade secret claims in crucial unduplicatable information which the patentee concealed from the patent without contravening, under the Supremacy Clause of the Constitution, the purposes of the federal patent system governed by Article I, §8, Cl. 8 of the Constitution which mandates that the patent monopoly shall be for "limited Times"?

2. Can a patentee comply with 35 U.S.C. §112 which mandates disclosure of the "best mode contemplated by the inventor of carrying out his invention" by concealing from the patent the crucial unduplicatable "trade secrets" necessary for the most important and significant commercial mode of carrying out the invention contemplated by the inventor where those "trade secrets" will serve to perpetuate the monopoly after the patent expires?

The caption contains the names of all parties. Supreme Court Rule 21.1(b). Petitioner, International Trade Services, Inc., pursuant to Supreme Court Rule 28.1, states that it has no parent, subsidiaries or affiliates.

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

PETITION

Charles R. Christianson and International Trade Services, Inc., (collectively "Christianson") respectfully pray that a Writ of Certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Seventh Circuit entered on March 22, 1989.

OPINIONS BELOW

DECISIONS ON THE MERITS OF COURTS HAVING JURISDICTION

The Opinion of the Seventh Circuit rendered on March 22, 1989 is reported at 870 F.2d 1292 and is reprinted at PA-1.*

The Judgment on Liability of the United States District Court for the Central District of Illinois was entered on July 19, 1985 and is reported at 613 F.Supp. 330 and is reprinted at PA-22.

The Memorandum Opinion of the United States District Court for the Central District of Illinois was entered on May 24, 1985 and is reported at 609 F.Supp. at 1174 and is reprinted at PA-27.

DECISIONS PERTAINING TO JURISDICTION

The Opinion of this Court rendered on June 17, 1988, concerning appellate jurisdiction and vacating the opinion of the Federal Circuit is reported at 108 S.Ct. 2166 and is reprinted at PA-46.

* "PA-1" is short for "Petitioners' Appendix Page 1."

The Opinion of the Federal Circuit rendered on June 25, 1987 which was vacated by this Court is reported at 822 F.2d 1544 and is reprinted at PA-72.

The Opinion of the Seventh Circuit rendered on August 19, 1986 re-transferring the appeal to the Federal Circuit is reported at 798 F.2d 1051 and is reprinted at PA-112.

The unreported Order of the Federal Circuit of December 4, 1985 originally transferring the appeal to the Seventh Circuit is reprinted at PA-134.

SUPREME COURT JURISDICTION

The Judgment of the Seventh Circuit was entered on March 22, 1989. This Petition for Writ of Certiorari has been timely filed within ninety days thereafter (28 U.S.C. §2101(c); Supreme Court Rules 20.2, 20.4). The jurisdiction of the Supreme Court is invoked pursuant to 28 U.S.C. §1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article I, Sec. 8, Cl. 8 of the Constitution, in part, provides:

> The Congress shall have power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

Article VI, Cl. 2 of the Constitution provides:

> This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; . . . , shall

> be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

The Federal Antitrust Laws. Clayton and Sherman Acts. Title 15 U.S.C. §§15 and 26 reprinted at PA-181-183, and Title 15 U.S.C. §§1 and 2 reprinted at PA-180.

Title 35 U.S.C. §112 of the Federal Patent Laws, reprinted at PA-183, which in pertinent part provides that a patent must:

> contain a written description of the invention, and of *the manner and process of making and using* it, *in such full, clear, concise, and exact terms* as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, *to make and use* the same, and *shall set forth the best mode contemplated by the inventor of carrying out his invention.* (Emphasis added)

Title 35 U.S.C. §154 of the Federal Patent Laws reprinted at PA-184, which in pertinent part provides that a patent has a "term of seventeen years."

STATEMENT OF THE CASE

How Colt Used the Patent and Trade Secret Laws to Obtain its M-16 Monopoly

This is an antitrust case concerning the monopolization by Colt of the component parts market for the U.S. military standard M-16 rifle. The following brief history describes how Colt obtained its monopoly and the technological impediment that perpetuates it despite the expiration of Colt's patents which protected the M-16.

Colt began the development of the M-16 in 1959. In 1964, the U.S. military adopted the M-16 to replace the

M-14 as the U.S. military standard rifle. As part of this adoption, the U.S. military required that all M-16 component parts would have to be "interchangeable" in any M-16 *ever* made.[1]

Colt determined the precise dimensions and tolerances that defined how each part would fit and function with its neighboring M-16 parts. Consequently, parts made to these critical dimensions and tolerances, or so-called "interchangeability specifications," were assured of meeting the military's requirements.

Colt held the interchangeability specifications as its "trade secrets." Because of the precision involved, Colt knew that these specifications could not practically be duplicated by others by any form of reverse engineering.[2] Consequently, Colt could use this technological impediment to perpetually monopolize the manufacture, improvement, and sale of M-16 components.

After its standardization, the usage of the M-16 in Vietnam revealed problems. Colt engineers solved the problems by developing specific improved M-16 components. Each improved component was also designed by the in-

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[1] The military required "interchangeability" because in the battlefield parts from one rifle must be used to repair another. A non-interchangeable M-16 part would not be purchased. Such a part in the battlefield could lead to injury or death when interchange failed with any of the tens of thousands of existing "interchangeable" M-16 rifles.

[2] "Reverse engineering" is the process of reproducing a trade secret through information available in the public domain such as measuring an existing part or referring to the specification of an expired patent. Also see Colt's Bredbury Affidavit PA-145 and Colt's letters on "reverse engineering" M-16 parts at PA-139-143.

ventors to "insure interchangeability."[3] Colt filed for and received patents on these improvements.

Colt's improvement patents disclosed the inventor's *idea* of the improvements, *in picture form alone,* as being made and placed in an M-16.[4] However, Colt did not disclose the practical realization of that idea. Colt admitted it concealed from the patents the unduplicatable interchangeability specifications for the M-16.[5] Without this information no one else could make the inventor's most commercially important and significant mode of carrying out the broadly claimed inventions.

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[3] Colt admitted "that the inventors . . . were working on improvements to the 'M16' rifle and were aware of the products requirements." (Colt Main Brief on Appeal p. 15) The inventor's records verified that they contemplated that their inventions be carried out "interchangeably" in the M-16. In an "Engineering Change Order" (PA-160) the inventor states that he made changes to a part included in his invention to "INSURE INTERCHANGEABILITY." The "plunger" part of the bolt assist invention (M-16 part no. 62268) is included as part of the Bolt Assist Patent (Copy at PA-163). See also the related documents PA-152, 158, 162.

[4] Colt admitted:

> [That the patent] "drawings and specifications clearly show how the claimed invention interacts and integrates *with a particular* gas-operated firearm, *the 'M16' rifle,*" and that there existed "no better mode . . . for practicing the claimed invention than that disclosed in the patent." (Colt Main Brief on Appeal p. 17)

Further as an example of one of the patents, the Bolt Assist (Copy at PA-163) Colt's expert's affidavit stated:

> The patent drawings illustrate the use of such a mechanism in an "M16" rifle, and I know that it was used in the "M16A1" production version. . . . I am not aware, and have not been advised, of a better mode that existed as of July 1964 for practicing the claimed invention than that disclosed in the patent. (Bredbury Aff. ¶12, PA-146) (Emphasis added)

[5] Colt Main Brief on Appeal p. 24.

The missing disclosure was *not* the mass production specifications for the M-16 rifle or even for the patented part. Concealed from each patent were a few *critical* dimensions and tolerances needed to figure out how to make the patented part interchangeable in the M-16. If the few critical ones had been disclosed, the public could have used them to readily determine the rest of the mass production specifications for that part. (PA-40-43)

With the aid of the improvement patents, Colt solidified its position and further imbedded its interchangeability specifications. During their terms, Colt extensively used the improvement patents to protect from competition its "best mode of carrying out the inventions" in the M-16 components market. When it sensed competition, Colt threatened enforcement of the patents:

> . . . that certain features of the official M16 rifles are covered by the following unexpired patents owned by this company:
>
> * * *
>
> Consequently, we reiterate our demand that your client not proceed with its proposed manufacture and sale of these rifles. (Colt letter, Appellate Appendix A-787)

When another company ignored the warnings and sought to make and sell its own M-16, Colt sued for patent infringement. As part of the suit, Colt's patent attorney swore in an affidavit that the claimed invention of one of the improvement patents at issue was "infringed by the XM-15 (M-16) rifle. . . .", which the competitor was seeking to make and sell in direct competition with Colt. (PA-150)

Colt also extensively licensed the improvement patents to the U.S. Government and others in conjunction with M-16 component manufacture for substantial royalties. With the patent licenses Colt also widely distributed and

licensed the interchangeability specifications with restrictive covenants to seek to maintain control of the interchangeability specifications.

The restrictive covenants perpetually prohibited the disclosure of the information even after the expiration of the licensed patents. They also perpetually prohibited any usage of the information other than for the manufacture of M-16 parts for Colt or those authorized by Colt. Thus, the interchangeability specifications are actually widely known in the industry; but their usage by others is under the shroud of Colt's restrictive covenants and "proprietary rights" designations.

After the patents expired, the unduplicatability of the information and the shroud of Colt's restrictive covenants prevented others from competing with Colt in making and selling the M-16 components that had been covered by the claims of the improvement patents. Colt's policy has thus led it to refer to the M-16 market as its "captive market." (PA-138)

After the Patents Expired, Colt Used Litigation and Threats Based On Over 25 Year Old "Trade Secrets" to Drive Christianson and Others Out of the M-16 Business

Christianson entered the business of making and selling M-16 component parts in 1976 using some of the alleged "trade secrets." He received the interchangeability specifications for certain M-16 parts from a former licensee of Colt. This was done with Colt's original knowledge and permission. Christianson continued in business for eight years making and selling M-16 parts without regard to the restrictive covenants and without Colt's objection or interference.

In 1983, after the expiration of most of Colt's patents, it became apparent that many manufacturers might now

enter the M-16 business. Colt began a campaign to stop this fledgling competition. It used threats and litigation based on its alleged trade secrets and its claim that it was the only "legitimate" source of M-16 parts.

Through litigation against one of the new M-16 manufacturers, Colt saw that Christianson was supplying many of the parts. Realizing that Christianson could be a serious breach in its dike against competition, Colt persuaded Christianson's suppliers and customers to agree not to deal with him. Despite Christianson's eight years of supplying M-16 parts, Colt then told them:

> . . . [This letter is] to put you on notice of one flagrantly illegitimate source of which we have become aware: Charles Christianson and his International Trade Services company. . . .
>
> In, fact *the only legitimate source of 'M16' parts is Colt.* . . . (PA-140) (Emphasis added)

Christianson pointed out that Colt's patents had expired and therefore others could be a "legitimate" source of M-16 parts. Colt countered that others could not be "legitimate" because they could not assure interchangeability. Moreover, Colt implied that if they did assure interchangeability it was because they were improperly using the "trade secret" specifications in violation of a Colt restrictive covenant. (See PA-139-143)

Under state law, over 25 year old dimensions and tolerances for a marketed product were usually not protectable as trade secrets because within that time they usually can be reverse engineered.[6] However, Colt distinguished its situation by pointing out that the information was unduplicatable from the marketed product.

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[6] Accordingly trade secret protection would usually not attach after such a time period. See e.g. *ILG Industries, Inc. v. Scott*, 49 Ill.2d 88, 273 N.E. 2d 393 (1971).

Colt's letters emphasized to Christianson's customers and suppliers that a "legitimate" M-16 part could not be made without running afoul of Colt's patents or alleged trade secrets:

> In theory, "reverse-engineering" may not infringe Colt's rights, provided, among other things, that the designer legitimately "reverse-engineers" *parts that do not infringe any unexpired Colt patents*, using information derived solely from his analysis of the parts and not Colt or Colt-derived proprietary information. In practice, however, Colt and others who have considered the problem seriously question whether such an undertaking is possible, in that the resulting parts would not in fact be equivalent to and *interchangeable* with Colt parts. *A part that does not carry an assurance of interchangeability with existing "M16" parts should not in any circumstances be designated, labeled, or advertised as an "M16" part.* (PA-139) (Emphasis added) See also Colt letter at PA-141.

Thus as shown, Colt used the patents and the restrictive covenants to control its "captive market" by driving others out of business. Moreover, "unduplicatability" gave Colt a powerful argument for threatening to commence or commencing expensive litigation against anyone that sought to make or sell "legitimate" M-16 parts.

The District Court found a "Flagrant Abuse of the Patent System"

Christianson sued Colt under the antitrust laws and state tort law for driving him out of business. Colt responded that its actions were justified efforts to protect trade secrets. Jurisdiction of the District Court was invoked under 28 U.S.C. §1332 and 15 U.S.C. §§4, 15 and 26. Based upon the undisputed facts previously discussed, the parties filed cross motions for summary judgment before the District Court under Christianson's theory that Colt's trade secrets were unenforceable in view of patent expiration and Colt's concealment.

The District Court found that the best mode of carrying out each of the "*claimed* inventions" in nine improvement patents "was the improvement of the M-16 military weapon, with the essential requirement that each of the *parts modifications* be fully interchangeable with the *corresponding part* in every M-16 ever produced." (PA-38) (Emphasis added) It concluded that "a consistent pattern emerges when the several patents are compared. In each, Colt failed to disclose that information which was essential to disclosure of the best mode known to the patentee for practicing the *claimed invention.*" (PA-41). "Applying the above facts under the standard of Section 112 must [lead to] the conclusion that *at least the crucial* interchangeability specifications should have been in the patent." (PA-40) (Emphasis added)[7]

The District Court found that Colt's concealment and efforts to perpetuate its monopoly beyond patent expiration were a "flagrant abuse" of the patent system. (PA-44) Consequently, the District Court held the critical interchangeability specifications could not be enforced as trade secrets under the Supremacy Clause and as a matter of equity.[8] Colt's alleged justification for its anticompetitive conduct was invalid and it was liable for driving Christian-

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[7] On the motion for summary judgment, ten improvement patents were before the District Court. Only one was found to be in compliance with §112. That was No. 3,766,822 "Blank Firing Adaptor for Gas Operated Firearm." This patent was not invalidated in the District Court's Judgment. (PA-24) Unlike the other patents, Colt's expert's affidavit stated that the interchangeability specifications for this patent could be determined by "routine measurement" of the M-16 parts. (PA-147) As to the parts for the other nine patents, his affidavit stated that the interchangeability specifications could not be determined. (PA-145)

[8] Citing, among others, *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249 (1945), *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), and *Dow Chemical Co. v. American Bromine Co.*, 210 Mich. 262, 177 N.W. 996 (Mich. S.Ct. 1920).

son out of business. Moreover, to foster the improperly restrained competition, the District Court invalidated all of the trade secrets.[9]

The Seventh Circuit Reversed The District Court

Colt's appeal led to a jurisdictional feud between the Seventh and Federal Circuits. Last term, this Court granted certiorari, resolved the jurisdictional question and directed the case to the Seventh Circuit. (See Jurisdiction Opinions at PA-46-135) The Seventh Circuit reversed the District Court and ordered that summary judgment be granted to Colt that Colt's patents did not have to disclose the interchangeability specifications corresponding to the patented component.

However, the Seventh Circuit recognized in its footnote 8 (PA-19):

> Christianson objects, quite understandably, that if Colt can validly claim trade secret protection, it will be able to protect its commercial products from competition even after the expiration of its patents. Christianson points out, and we agree, that the best mode requirement is intended to allow the public to compete fairly with the patentee following expiration of the patents. [Citation omitted] . . . While we sympathize with Christianson's frustration in being unable to compete with Colt, and Christianson may yet prove that Colt violated the antitrust laws, for the reasons discussed we cannot vindicate its attempt to rectify the situation through an attack on Colt's patent disclosures.

However, the Seventh Circuit only addressed the issue of the sufficiency of Colt's patent disclosures. It did not

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[9] In accordance with *U.S. v. National Lead Co.*, 332 U.S. 319 (1947) which allows disgorgement of trade secrets to foster competition in an antitrust case.

discuss the impropriety of extending Colt's patent monopoly regardless of compliance with §112, which could have provided a base for affirmance. As a result, Colt continues to extend its patent monopolies beyond expiration by claiming trade secret protection under state law. The Seventh Circuit quoted the following portion of the jurisdictionless and vacated decision of the Federal Circuit to support its opinion:

> [T]he 'best mode' is that of practicing the *claimed* invention. *It has nothing to do with mass production or sales to customers having particular requirements.* [Citation omitted] In this case, interchangeability with M-16 parts appears nowhere as a limitation in any claim, and as Christianson concedes, the patents make no reference to the M-16 rifle. Thus the best mode for making and using and carrying out the *claimed inventions* does not entail or involve either the M-16 rifle or interchangeability. The 'best mode' for making and using the claimed rifle parts relates to their use in a rifle, any rifle. (PA-18) (Emphasis original)

As may be seen, the Seventh Circuit adopted the Federal Circuit's vacated reasoning on the "best mode" issue, essentially treating it as precedent. (PA-10-11) (See Footnote 16.) Accordingly, as a matter of law, it found that one should ignore the actual commercial usage and impact of the invention and solely look to the wording of the patent claims. It thus reasoned that since Colt failed to expressly mention the words "M-16" or "interchangeability" in its patent specifications or claims, it then followed that the patents did not relate to the M-16. Consequently, it found that the M-16 was not the "best mode." Instead, it stated that the broadly drafted patents merely related to "any rifle."

Thus the Seventh Circuit interpreted the "best mode of carrying out the invention" requirement of §112 as requiring illustration of only the best idea in a broad, conceptual sense and not requiring disclosure of the crucial

information needed to achieve the best practical or commercial realization of the idea. This judicial gloss on §112 allowed the court to ignore a variety of facts and conclude as a matter of law that the patents did not relate to the M-16 components whose market they protected.

Among the ignored and undisputed facts were: The M-16 was the only actual mode of record of carrying out the inventions or using the patents. The inventor's single most commercially important and significant mode of carrying out the patented inventions was not in just "any rifle" but rather as interchangeable M-16 parts to specifically fix the problems of the M-16. The improvement patents were extensively licensed not for just "any rifle" but specifically in conjunction with M-16 manufacture for substantial royalties. The patent claims *would be infringed* if someone made an *interchangeable M-16 part* as a means of carrying out the invention. Moreover, such patent infringement was used by Colt during the term of the patents to protect itself from competition not for just "any rifle" but specifically for the M-16 components market.

REASONS FOR GRANTING THE WRIT

The Decision of the Seventh Circuit Has Provided a Mechanism for Extending Federal Patent Monopolies under State Law Through the Concealment from the Patent of the Most Crucial and Commercially Important Information as Trade Secrets.

1. The Decision is in Conflict with Fundamental Constitutional Principles and this Court's Decisions in Analogous Cases.

This case is based upon undisputed facts and involves a pure question of law at the highest reaches of the pa-

tent system.[10] The case involves one of the interfaces between federal and state protection of intellectual property that this Court has never directly addressed.[11] The Seventh Circuit's decision is in serious conflict with the purposes of the patent system as mandated by the U.S. Constitution, as enacted by Congress and as described by this Court. This Court should grant the Writ to prevent the creation of a "loophole" through operation of state "trade secrets" law which allows patentees to extend their patent monopolies indefinitely. This Court has traditionally

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[10] The case, on the issue of appellate jurisdiction was before this Court last term. Any case involving patents that reaches this Court is closely watched by the patent bar. Moreover, the Christianson decisions are widely referenced by various treatises in the field. For example, *Christianson* is cited at 9 locations in the treatise, *Patents*, Chisum, Supplemental Table of Cases, p. 22, (May 1988) and at 8 locations in the treatise, *Patent Law Fundamentals*, Rosenberg, Second Edition, 1989 Revision, TC-23.

[11] This case also falls in line with this Court's past willingness to grant certiorari for cases that delineate differing aspects of the interface between the federal patent system and state regulation of intellectual property. Of particular note in that regard are *Bonito Boats, Inc. v. Thunder Craft, Inc.*, ____ U.S. ____, 103 L.Ed.2d 118 (1989), *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), and *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979). *Bonito Boats* reviewed the situation where the most efficient method of copying publicly known expired patent technology is prevented by state law. *Sears* reviewed the situation when there are no trade secrets but unfair competition law is employed to prevent copying of publicly known products. *Kewanee* addressed the situation of whether trade secret protection can be relied upon if patent protection is never sought. *Aronson* addressed the situation of enforcing trade secrets where a patent *application* is involved that never issues as a patent.

And now, this case presents the conflict between trade secrets and expired, issued patents. As such, it provides this Court the opportunity to resolve perhaps the most commercially important of the patent/trade secret interface issues.

granted certiorari to review attempts by patentees to extend patent monopolies.[12]

All of the principles of the patent system espouse the concept that the public should get the full benefit of competition, after patent expiration, in the commercial product that was protected by the patent. The Constitutional mandate of Article I, §8, Clause 8, to Congress is "to promote the progress of science and useful arts, by securing for *limited times* to authors and inventors the exclusive right to their inventions and discoveries." (Emphasis added.) Consequently, most recently in *Bonito Boats, Inc. v. Thunder Craft, Inc.*, ____ U.S. ____, 103 L.Ed.2d 118, 135 (1989), a case submitted to but not discussed by the Seventh Circuit in *Christianson*, this Court stated: "It is self-evident that on expiration of a patent the monopoly created by it ceases to exist, and the right to make the

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[12] This Court has consistently removed barriers and restrictions created by state law to free competition after patent expiration because the "subject matter of a patent passes to the free use of the public as a matter of federal law." *Bonito Boats, supra*, 103 L.Ed.2d at 135. See for example, *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982) (allowing reproduction of the colors of capsules for pharmaceutical whose patent had expired where the inability of others to reproduce the color would make competition more difficult); *Brulotte v. Thys Company*, 379 U.S. 29 (1965) (preventing patentee from collecting royalties after the expiration of the patent); *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938) (allowing reproduction of the shape and name of shredded wheat after patent expired where the inability to reproduce same would make competition difficult); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169 (1896) (allowing use of "Singer" as name of sewing machines made according to expired patents because such name became greatly associated with the patented technology and inability to use the name would make competition difficult); *Coats v. Merrick Thread Co.*, 149 U.S. 562 (1893) (allowing usage of embossed periphery used with expired patent). *Woodbridge v. United States*, 44 S.Ct. 45 (1923) (preventing inventor from keeping invention secret and commercially exploiting it for a period of years until it loses secrecy and then patenting it, thereby unduly extending commercial monopoly).

thing formerly covered by the patent becomes public property." Here the "thing[s] formerly covered" were improvement components for the M-16 rifle. However, the public has been denied its rights by Colt's concurrent exploitation of the patent and trade secret law.

Colt's concealment of the now 25-year-old, crucial and unduplicatable interchangeability specifications from its expired improvement patents coupled with its perpetual "trade secrets" restrictive covenants have reserved and continued Colt's patent monopoly.[13] No holding of this Court addresses this situation directly. However, in analogous situations this Court has consistently held that "[A]ny attempted reservation or continuation in the patentee * * * of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent law." "[T]he patent laws preclude the patentee of an expired patent . . . from recapturing any part of the former patent monopoly." *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 255-256 (1945) (Emphasis added); also see *Sears, Roebuck & Co. v. Stiffel*

[13] This Court in *Bonito Boats* clarified its decision in *Kewanee* (of no conflict between trade secrets and failing to file for a patent) because: "[T]he *Kewanee* Court emphasized that '[t]rade secret law provided *far weaker* protection in many respects than the patent law.' *Id.* at 489-490. This point was *central* to the Court's conclusion that trade secret protection did not conflict with either the encouragement or disclosure policies of the federal patent law. The public at large remained free to discover and exploit the trade secret through reverse engineering of products in the public domain or by independent creation." (Emphasis added) *supra*, 103 L.Ed.2d 137. In the present case this "central" premise is defeated. The trade secrets at issue are now at least 25 years old and still unduplicatable. Consequently, the monopoly could be perpetual after patent expiration.

Co., 376 U.S. 225 (1965); *Brulotte v. Thys Company*, 379 U.S. 29 (1965).[14]

Despite this Court's analogous holdings and strongly worded *dicta*, the patent system failed in this case as even the Seventh Circuit apparently acknowledges in its footnote 8. (PA-19) Colt has protected its "captive market" for the M-16 improvement parts with patents. Those patents have expired. Competition is still technologically impeded by crucial *unduplicatable* claimed trade secrets that Colt's inventors had known about prior to filing their patents and concealed from those patents.

Christianson decided that this was an untenable situation for the patent system. While the Colt patents were in force one could not make the "best mode" M-16 component because it would be an infringement of the patent

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[14] *Sears* was again approved by this Court in *Bonito Boats* and relied upon by the District Court, although the Seventh Circuit did not discuss it in *Christianson*. In *Sears*, this Court stated:

> Finally, and especially relevant here, when the patent expires the monopoly created by it expires, too, and the right to make the article—*including the right to make it in precisely the shape it carried when patented*—passes to the public. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 120-122 (1938); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896).
>
> Thus the patent system is one in which uniform federal standards are carefully used to *promote invention while at the same time preserving free competition. Obviously a State could not, consistently with the Supremacy Clause of the Constitution, extend the life of a patent beyond its expiration* date or give a patent on an article which lacked the level of invention required for federal patents. *To do either would run counter to the policy of Congress of granting patents only to true inventions, and then only for a limited time.* Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as forbidding unfair competition, give protection of a kind that clashes with the objectives of the federal patent laws, *supra*, 376 U.S. at 230, 231. (Emphasis added)

claims. When they expired, according to Colt, in perpetuity one still could not "legitimately" make the "best mode" M-16 component.

But the disclosure statute of the patent system, 35 U.S.C. §112, states that a patentee had to disclose, among other things, the "best mode contemplated by the inventor for carrying out his invention." It was undisputed that the inventors contemplated their best versions of the inventions to be in the M-16 made according to the corresponding interchangeability specifications. In such a circumstance the inventor necessarily must fully disclose how to "carry out" such a result. The Sixth Circuit's holding in *Union Carbide Corp. v. Borg-Warner Corp.*, 550 F.2d 355 (6th Cir. 1977), that the "best mode" can logically be presumed to be the commercial embodiment, supports this reasoning based upon the plain meaning of the statute.

It is no answer to the above concerns that, after the patents expire, the public could make the inventions for "any rifle" but not for the U.S. military standard rifle, the M-16. This is a serious conflict between the patent system and state law. Colt's concealment of critical information from the patents while seeking to maintain such information secret under state law denies the public the most efficient method for exploiting the inventions of the expired patents. In *Bonito Boats*, this Court stated, "It is difficult to conceive of a more effective method of creating substantial property rights in an intellectual creation than to eliminate the most efficient method for its exploitation." *supra*, 103 L.Ed.2d at 143. The Seventh Circuit did not find that it would be inappropriate to enforce such withheld information as trade secrets and thereby effectively perpetuate the patent monopoly.

This Court should grant the writ to address whether state trade secret law can be used to perpetuate the com-

mercial monopoly previously protected by a patent. Otherwise, the Seventh Circuit decision provides a mechanism under state law to patentees for maintaining a monopoly over the most commercially important modes of their patented inventions in perpetuity by concealing crucial unduplicatable technology.

2. The Seventh Circuit, by Adopting Portions of the Vacated Federal Circuit Opinion, Interprets a Limitation to the Patent Disclosure Statute That Has No Support in the Statutory Language and Improperly Favors the Patentee Over the Public, in Conflict with the Rationale of Decisions in this Court and the Sixth Circuit.

The Seventh Circuit's decision also interprets the disclosure statute, 35 U.S.C. §112, as a matter of law in a manner that is not supported by its language or the underlying policies of the patent system. This Court has not had occasion to discuss 35 U.S.C. §112 directly. It has only obliquely referred to that statute as being the mechanism for ensuring that "Progress of the Useful Arts" occurs because of the patent disclosure it mandates.[15] In contrast, the treatise *Patent Law Perspectives'* explanation of the Federal Circuit's reasoning in this case, which in essence the Seventh Circuit adopted as precedent[16]

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[15] To fulfill the Constitutional purpose, Congress enacted the disclosure requirements of 35 U.S.C. §112 and limited patents to seventeen years pursuant to 35 U.S.C. §154. Compliance with §112 is the "quid pro quo" for the patent grant. *Universal Oil Products Co. v. Globe Oil & Refining Co.*, 322 U.S. 471 (1944).

[16] This treatment was error because it is well established that a decision rendered by a court without jurisdiction "can be accorded no weight . . . as precedent." *U.S. v. Troup*, 821 F.2d 194, 197 (3rd Cir. 1987); *Alabama Hospital Ass'n v. United States*, 656 F.2d 606, 610 (Ct. Cl. 1981); and *Hydaburg Co-op Ass'n v. United States*, 667 F.2d 64, 66 (Ct. Cl. 1981). The two cases cited by the Seventh Circuit are inapposite since neither involve vacated deci-

(Footnote continued on following page)

(PA-10, 11) demonstrates the improper impact of the decision and the conflict:

> Thus, [under the decision in *Christianson*] a patentee may safely maintain as a trade secret information that is useful with the invention, *even necessary for commercial success*, so long as he has fully disclosed the claimed subject matter." 2 Pat.L. Persp. (MB) §2.9[2.-4-3], at 2-1090.2(1) (2d ed. Sept. 1988) (Emphasis added)

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[16] *continued*

sions of courts without jurisdiction. Also see this Court's pronouncements that a vacated decision of a Court of Appeals on the ground of mootness "deprives that court's opinion of precedential effect." *O'Connor v. Donaldson*, 422 U.S. 563, 578 n. 12 (1975) and *County of Los Angeles v. Davis*, 440 U.S. 625, 635 n. 6 (1979).

Because the Seventh Circuit, in essence, erroneously gave the Federal Circuit decision "precedential weight," stating that "the comprehensive nature of the decision . . . counsel us against straying far from the court's thorough analysis," (PA-11) the jurisdictional debate that was ultimately decided by this Court became a hollow exercise. In effect, if this Court does not now grant certiorari, the Federal Circuit will have essentially decided this case even though it lacked jurisdiction.

Additionally the Seventh Circuit gave weight to the Federal Circuit opinion by asserting that no error was found in the Federal Circuit's decision by this Court in the opinion vacating it. Since this Court's grant of certiorari was specifically limited to the jurisdictional issue only and not the merits, this was a most curious ground for relying on the Federal Circuit opinion.

Far from being "the most comprehensive source of guidance available on the patent law question at issue in this case," as the Seventh Circuit characterized the Federal Circuit opinion (PA-11), the Federal Circuit followed the very line of reasoning that this Court recently termed "defective." As noted in *Bonito Boats*, *supra*, 103 L.Ed.2d at 142, the Federal Circuit in *Interpart Corporation v. Italia*, 777 F.2d 678 (CAFC 1985) followed "defective" reasoning that the patent system does not give the public the right to fully copy the subject matter of expired patents. Moreover, in *Interpart* the Federal Circuit showed its willingness to allow states to restrict free competition in the technology of the expired boat molding patents.

As previously discussed, the reasoning of the Seventh Circuit was that "interchangeability with M-16 parts appears nowhere as a limitation in any claim, and . . . *the patents make no reference* to the M-16 rifle. Thus the best mode for making and using and carrying out the *claimed inventions* does not entail or involve either the M-16 rifle or interchangeability." (PA-18) The Seventh Circuit focused upon the way Colt drafted its patents and not the actual facts concerning the inventions. In other words, because Colt drafted its claims broadly to cover "any rifle," thereby concealing the importance of interchangeability in the M-16 from its patents, the best mode according to this argument involves neither the M-16 nor interchangeability. Such a standard provides a ready mechanism for patent attorneys to conceal information that is "even necessary for commercial success" by simply drafting their patent applications broadly and failing to mention the actual "best mode" that the inventor contemplated for carrying out his invention. As was the situation in this case, such patents would be infringed by the undisclosed "best mode" but would not teach the public the critical information needed to achieve it.

The Seventh Circuit's *limitation* on the duty of disclosure in defiance of the language of 35 U.S.C. §112 impermissibly tips the scales in favor of the patentee and away from the public's interest without a reasoned analysis of why the public interest must be sacrificed. This Court has consistently held that the patent system is intended to provide "commercial success" and benefit to the public upon patent expiration. The system is much more than simply a vehicle for the exposition of mere "ideas."[17]

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[17] As far back as *Le Roy v. Tatham*, 55 U.S. 167, 188 (1852) this Court emphasized the commercial impact of the disclosure requirement when it stated:

(Footnote continued on following page)

As this Court stated, in denying patentability to chemical compounds where no real world use had been found or disclosed in the patent applications, "[a] patent system must be related to the world of commerce rather than to the realm of philosophy." *Brenner, Commr. of Pats. v. Manson*, 383 U.S. 519, 536 (1966). Moreover, the Sixth Circuit's holding in *Union Carbide Corp. v. Borg-Warner Corp.*, 550 F.2d 355 (6th Cir. 1977), conflicts with the Seventh Circuit and companion Federal Circuit opinions because the Sixth Circuit held that the "best mode" can logically be presumed to be the commercial embodiment.

This Court in *Brenner* went on to note that there was a "highly developed art of drafting patent claims so that they disclose as little useful information as possible—while

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[17] *continued*

"This [disclosure] is required . . . in order that when the patent shall run out, the public may know how to profit from the invention." (Emphasis added)

Case after case of this Court has recognized in analogous holdings and strongly worded *dicta* that the patent system is intended to foster commercial benefit to the public, not merely the exposition of ideas or a reward to the patentee. This public ability to fully benefit and "profit" is again approvingly recited most recently in *Bonito Boats, supra*, 103 L.Ed.2d at 134, where this Court reaffirmed that upon patent expiration the people are "thus enabled *without restriction* to practice it and profit by its use." (Emphasis added)

Since the patent system's formation, this Court has consistently held, from *Pennock v. Dialogue*, 27 U.S. 1 (1829) to recently in *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417 (1984), that the public interest is paramount to the rights of the patentee. "It is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage" *Kendall v. Winsor*, 62 U.S. 322, 327-328 (1858). "The primary purpose of our patent system is not reward of the individual but the advancement of the arts and sciences. . . . [I]t is not a certificate of merit, but an incentive to disclosure." *Sinclair & Carroll Co., Inc. v. Interchemical Corp.*, 65 USPQ 297, 299 (1945).

broadening the scope of the claim as widely as possible." *supra*, 383 U.S. at 534. This Court then stated:

> The basic *quid pro quo* contemplated by the Constitution and the Congress for granting a patent monopoly is the benefit derived by the public from an invention with *substantial utility*. *Brenner*, *supra*, 383 U.S. at 534 (Emphasis added).

The Seventh Circuit never indicated how the express language of the statute required or even allowed a limitation on the disclosure requirement which would sanction concealment of critical unduplicatable information needed by the public for effective competition after the patent expires. Nor did it explain how such concealment could be sanctioned by merely looking for evidence of what is or is not the "best mode" from the patent's four corners and rendering irrelevant the facts surrounding the actual creation and usage of the invention and the patent. Under the language of §112, a court must necessarily consider extrinsic facts to determine what was actually "contemplated by the inventor" in litigation claiming concealment of the "best mode." Additionally, any construction of the federal patent laws must be made "in light of this Nation's historical antipathy to monopoly and of repeated congressional efforts to preserve and foster competition." *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 530 (1972).[18]

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[18] The Seventh Circuit's interpretation of §112 is contrary to this Court's admonition in *Parker, Acting Comr. Pats. v. Flook*, 437 U.S. 584, 596 (1978):

> We would require a clear and certain signal from Congress before approving the position of a litigant who, as respondent here, argues that the beachhead of privilege is wider, and the area of public use narrower, than the courts had previously thought.

And *Diamond, Comr. Pats. v. Chakrabarty*, 447 U.S. 303, 307-308 (1980):

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No case, until now, has held that critical unduplicatable information can be withheld because it relates to the patentee's commercial embodiment of the invention.[19] The standard has always been that the patentee is only excused from disclosure of critical information, relating to its best mode, where such information was either not known to the patentee, already publicly available, or reproducible by those of skill in the art without undue experimentation. *Webster Looms v. Higgins*, 105 U.S. 580 (1882). In this case, the patentee knew of the information, the public or those of skill in the art could not duplicate the information, and it was the means by which the monopoly could be maintained indefinitely.[20]

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[18] *continued*

The authority of Congress is exercised in the hope that "[t]he productive effort thereby fostered will have a positive effect on society through the introduction of new products and processes of manufacture *into the economy*, and the emanations by way of increased employment and better lives for our citizens."

* * *

We have also cautioned that courts "should not read into the patent laws limitations and conditions which the legislature has not expressed." (Emphasis added)

[19] The fact that the withheld M-16 information is so-called "production specifications," such as dimensions and tolerances, is not a reason for withholding critical disclosure where reverse engineering is impractical or impossible. In *Grant v. Raymond*, 31 U.S. 141 (1832) this Court held that a jury could find inadequate disclosure for failing to disclose the "proportions," "sizes," "distances," and the "bigness or size of the principal parts of said machine" if the jury found such failure prevented others from reproducing the patented machine. Here one cannot even make *one* M-16 part without the information since it would have to have the attribute of interchangeability once it got in the field.

[20] Contrary to the Seventh Circuit's approach, the following commentator describes how the "best mode" disclosure should operate, hand-in-hand with the antitrust laws, to foster competition.

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This Court should grant the writ before the lower courts' construction of §112, in this widely referenced case, has the far reaching effects of decreasing disclosure by patentees, increasing reliance on trade secrets and creating more situations where patent monopolies are extended. The Seventh and Federal Circuits' opinions, as stated in Patent Law Perspectives, *supra*, stand for the proposi-

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[20] *continued*

Carlson, *The Best Mode Disclosure Requirement in Patent Practice*, 60 J.P.O.S. 171 (1978):

> The best mode disclosure requirement strikes a balance in the interest of fairness between the competing societal needs of encouraging invention by the grant of a limited monopoly while, at the same time, encouraging free competition by preventing misuse of the monopoly grant. Such misuse would result if the patent monopoly were unlawfully extended beyond the seventeen year statutory period. . . .
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> . . . there is an apparent conflict between the public policy objective of free competition in the marketplace, on the one hand, and the objective of protecting the proprietary interests of the inventor, on the other. The antitrust laws . . . apparently promote the former objective, whereas the patent statutes are seemingly directed toward the latter. Absent a best mode, such a dichotomy would operate full force . . . *the inventor could effectively thwart competition by non-disclosure* of the preferred method of practicing the invention—a classic example of having one's cake and eating it too. The best mode disclosure requirement causes any apparent patent monopoly/free competition dichotomy to blur since the issuance of a patent containing the best mode not only vests statutory rights in the inventor, but also provides a touchstone for use by competitors in improving upon the best method known by the inventor at the time of filing.
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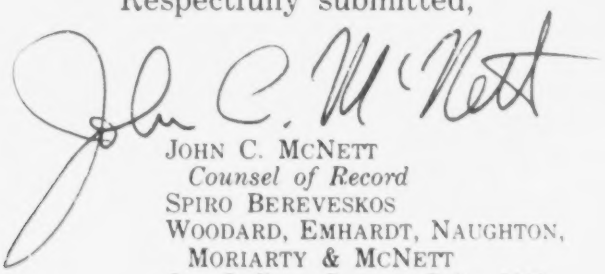
> . . . Adherence to the best mode disclosure requirement, therefore, actually *promotes competition* by providing individual and corporate competitors with information regarding processes having the greatest commercial potential; information that would no doubt be kept secret using a trade secrecy agreement in the absence of patent protection. Thus, *there is a substantial public benefit associated with the best mode disclosure requirement both in terms of increased competition in the marketplace* and protection of the proprietary interests of the inventor." (Emphasis added)

tion that a patentee under §112 can "safely maintain as a trade secret information useful with the invention, even necessary for commercial success." If allowed to stand, the patent community will use the Christianson opinions as guideposts for concealing important technology with broadly and carefully drafted patents. Thus upon patent expiration, as here, through the use by patentees of state trade secret law, the thing formerly covered by the patent shall not become public property.

CONCLUSION

For each and all of the reasons stated, a Writ of Certiorari should issue to review the judgment and opinion of the Seventh Circuit.

Respectfully submitted,



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